

ROUTING

Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday March 26, 1977

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State Dept. review completed

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, March 26, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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INDIA: Cabinet Selection

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[REDACTED] The quick formation of a new cabinet in India indicates that the leaders of the parties that defeated Indira Gandhi have overcome the dispute resulting from the selection of Morarji Desai as Prime Minister.

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[REDACTED] Differences among the groups that support Desai could lead to serious problems in time. His Janata Party--which holds about half the seats in the lower house of Parliament--is a coalition of four parties, ranging from Hindu nationalists to Marxist Socialists. Desai's working majority of about 30 seats depends on close cooperation with the followers of Jagjivan Ram, most of whom are defectors from the left wing of the Congress Party. A regionalist Sikh Party and the Marxist Communists, who are independent of both Moscow and Peking, also support Desai.

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[REDACTED] In selecting the cabinet, the main consideration appears to have been the distribution of ministries in rough proportion to the strength of the four parties that make up Janata and Ram's party. The Sikh Party received one ministry, but the Communists--who are more distant allies--were not included.

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[] The selection of the cabinet was delayed by a dispute over the manner in which Desai--who would probably have won in any case--became prime minister. Original plans called for members of Janata and Ram's party to elect the prime minister and to act as a single party in Parliament. At the last minute, however, two respected and influential elder statesmen intervened and, in effect, appointed Desai prime minister.

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[] Socialist leader Fernandes publicly criticized the selection process, and Ram--himself a candidate for prime minister--refused to join the cabinet or to merge his party with Janata. He relented after a major effort to soothe his feelings and a reported offer of the deputy prime ministership and was included in the list of ministers announced yesterday.

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[] A more serious test of unity could occur in West Bengal, where the Marxist Communists won the most seats in the parliamentary election. They are trying to engineer the fall of the Congress Party state government. As Prime Minister, Desai might be reluctant to agree. Two previous Communist governments in West Bengal brought the state to the verge of collapse.

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[] A further complication is the defection of many Congress Party members in the state to Ram's party. An election for the state assembly could become a contest between two of Desai's allies. []

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EAST GERMANY - HUNGARY: Friendship Treaty

25X1 [] Hungarian party leader Janos Kadar signed a revamped friendship treaty with his East German counterpart this week to replace a pact negotiated in 1967.

25X1 [] The East Germans seem anxious to update their bilateral friendship treaties with the Warsaw Pact states before the follow-up conference on security and cooperation in Europe this fall. Polish leader Gierek will reportedly sign an updated pact

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during his visit to East Berlin in May, and the East Germans may also renegotiate treaties with Czechoslovakia, Bulgaria, and possibly Romania.

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[] The new East German - Hungarian treaty is similar in most respects to the East German - Soviet pact of October 1975, which--among other things--highlights East Germany's emergence as an independent and sovereign state on the world scene.

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[] The East German leaders probably believe that such statements underline the legitimacy of East Germany and will thus be useful should they decide to adopt a tougher stance on certain long-standing disputes with West Germany. Party chief Honecker hinted in a speech on March 18 that there could be no progress in East-West German relations until more basic questions are resolved--such as West German acknowledgment of a separate East German citizenship and agreement on a final demarcation of the border. []

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BELGIUM-LIBYA: Arms Complex

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[] A Belgian official has told the US embassy in Brussels that the proposed multibillion dollar agreement for Belgian firms to build an arms complex in Libya is dead. The Libyans apparently found the Belgian terms unacceptable but told the Belgians that they do not plan to ask any other country to build the complex.

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